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ZNR UUUUU ZZH
R 231555Z FEB 09
FM AMEMBASSY DUBLIN
TO RUEHC/SECSTATE WASHDC 9772
INFO RUEHBL/AMCONSUL BELFAST 0884
RUCNMEM/EU MEMBER STATES

UNCLAS SECTION 01 OF 02 DUBLIN 000076

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: ECON ELAB PGOV EI
SUBJECT: IRELAND'S SPRING OF DISCONTENT

REF: DUBLIN 42

DUBLIN 00000076 001.2 OF 002

Summary

¶1. (SBU) Against a backdrop of rising unemployment, an increasing budget deficit, nationalization of banks, and emigration, Ireland is facing its worst year of industrial unrest since the 1980s. In response to the deteriorating public finances (reftel), the Irish government has announced a range of fiscal tightening measures, including a public sector pension levy. The trade unions claim the measure unfairly targets lower- and middle-income public servants and have threatened industrial unrest. Several unions are holding strike ballots in response to the levy and over 100,000 people marched in a national demonstration on February 21 in Dublin, something unseen since the havoc caused by industrial action in the 1980s. In the current economic climate, it is not clear that the government will be able to resist the unions' demand to do away with the pension levy.

Economic Background

¶2. (U) The global economic downturn has hit Ireland hard. The unemployment rate rose to a 13-year high of 9.2 percent in January, up from 8.3 percent in December 2008, and is rising. A 6.3 percent public finances budget deficit in 2008 is estimated to have widened to 9.5 percent in 2009. One bank has been nationalized, and the Irish government has recapitalized two others to the tune of Euro seven billion (USD 8.9 billion). Following this deterioration in public finances, the government introduced a package of measures aimed at generating savings of Euro two billion (USD 2.55 billion) in 2009. Prime Minister Brian Cowen has attempted to secure a negotiated agreement between the government, employers and trade unions - the so-called social partners - on the package. (Note: The series of agreements between the social partners dating back to the 1980s established benchmarks for pay increases and set out consensus positions on a host of social policies and were largely responsible for industrial stability for the past 25 years. End note.)

¶3. (U) However, talks between the social partners on the national economic recovery program broke down on February 3. Unions refused to agree to the government's proposed graduated pension levy, which will reduce public-sector employees' incomes by up to ten percent by diverting income into the government's pension fund scheme. The unions described the levy as "onerous" but the government pushed ahead with the levy anyway, with Cowen insisting that the savings were a necessary first step to stabilize the public finances. Leading trade unionists, incensed by the measure, argue that the levy unfairly targets lower- and middle-income public servants and have threatened mass industrial action.

Unions See Red

¶4. (SBU) Paul Sweeney, economic advisor to the Irish Congress of Trade Unions (ICTU) which represents 832,000 workers in 57 unions, told Emboff he believed the social partnership model is not dead but is frozen for now. Sweeney said workers were willing to take pay cuts for the good of the country, but the pension levy was unfairly aimed at low- to middle-income earners. Sweeney was "surprised" at the level of anger shown by many of the unions. As an answer to the scheme put forward by the government, ICTU issued a ten-point plan which includes a proposed 48 percent tax on high earners, full public control of the banks, a three-year moratorium on house repossessions, and a national recovery bond. The plan is based on the work of a Swedish economist, Jens Henrikkson, who advised his government when Sweden's banking sector collapsed in the early 1990s. Sweden's policies at the time, which proved successful, are being widely studied by governments across the world.

Days of Action

¶5. (U) ICTU organized a national demonstration on February 21 in Dublin. Following consultations with member unions, ICTU decided to concentrate resources and attention on one major demonstration, as the first step in a rolling campaign of action. Irish police estimate that between 100,000 and 120,000 people marched through the capital's center. It was the largest workers' protest since December 2005, when a national day of protest organized by ICTU against the exploitation of migrant workers and the displacement of jobs in Irish Ferries, attracted over 40,000 people in Dublin and 100,000 nationwide. While much of the preparation for the protest had focused on the public sector pension levy, in speeches to the protestors, union leaders were keen to promote unity between public

and private sector workers. Workers from Waterford Crystal and SR Technics, recently closed private companies, figured prominently in the march. ICTU's executive council meets on February 24 to consider its next move following the protest march and the issue of escalating industrial action will be on the agenda.

¶6. (SBU) Manus O'Riordan, Head of Research for the Service Industrial Professional and Technical Union (SIPTU), Ireland's largest union, representing 214,000 workers, told Emboff the march showed that unions are still relevant in Ireland. He said there was a unity of purpose between private and public sector unions and that, while union leadership is prepared to resort to further labor action, there is still a desire to engage with government to solve the problem.

¶7. (U) The February 21 demonstration will be followed by other, smaller actions. The 13,000 members of the Civil and Public Service Union (CPSU) will mount a one-day strike affecting all Government departments on February 26. On February 18, a CPSU demonstration outside Government Buildings was attended by 4,000 people. Members of the Public Service Executive Union, which represents 10,000 mid-ranking civil servants, are currently balloting on industrial action. Workers at Dublin Bus, which announced 290 job losses on January 16, will strike on Sunday, March 1, and have threatened further action on March 8 and 9. The Irish National Teachers Organization (INTO) said the government's fiscal measures were "totally unacceptable" and warned of a "strong response" from the union.

The Gentleman is Not For Turning

¶8. (SBU) On February 19, Finance Minister Brian Lenihan reiterated his defense of the pension levy on all public-sector workers. During a debate in the Irish Parliament on the legislation paving the way for the measure, Lenihan said the levy was preferable to tax increases and redundancies. The Irish government has said it will not back down on its decision. However, following public pressure

they reversed several aspects of last October's budget. According to our union contacts, the unions sense this weakness and believe the day of national protest and threats of industrial action will force the government to rescind the pension levy and implement the union plan. Union leaders have also indicated that informal contacts have been taking place both with the Government and employers in recent days over a possible resumption of the social partnership talks.

Comment

¶9. (SBU) Industrial action caused havoc in Ireland in the 1980s (264,339 days were lost to industrial action in 1987, compared to 4,179 in 2008) when low paid workers felt they were bearing more than their fair share of the correction in the public finances. Nobody, including the unions, wants to return to those dark days. However, the unions are under pressure from their members to act against what they see as a grossly unfair pay cut. There is an appetite for sustained industrial action among workers and a growing anger among the Irish electorate at the government. Union leaders sense the government's growing weakness and hope that the national day of protest on February 21 forces a scrapping of the pension levy. Facing rising unemployment, a banking crisis that's fast becoming a political headache, local and European elections looming in June, and abysmally low polling numbers, the government may be in an accommodating mood.

FAUCHER